IT FACULTY BENEFITS

- Keep on top of important developments with e-bulletins, bi-monthly magazine and technical reports.
- Access information on demand via the faculty’s exclusive website and the IT Counts community.
- Advance your career and business with practical help and resources – from online tools to free member events.
- Exchange ideas and make useful contacts through our networking facilities.
- Have your say and contribute to the faculty’s reputation for engaging with the important issues and the key players in IT.

The IT Faculty exists to help accountants make better use of IT and to further the study of the application of IT to business and accountancy, including the development of thought leadership and research. Membership is open to anyone, not just chartered accountants, for an annual subscription of £105.

Visit us and join online at icaew.com/itfac
See the forest and the trees

Over 25 years of industry experience in: Budgeting and Forecasting, Management Reporting and Performance Analytics.

- Selection – appraising your business needs and selecting the appropriate application
- Design – planning the system to match your reporting requirements
- Implementation – working with you to build the system
- Training – flexible training with the aim of transferring knowledge

Business Intelligence for Intelligent Business

Contact Details
Jonathan Teller FCA MBA AIMIS
m: 07768 467 023
e: Jonathan.Teller@JTanalytics.co.uk

JTAnalytics
Microsoft Registered Partner
CONTENTS

1. INTRODUCTION 03
2. THE ELEMENTS OF F&B 05
3. ELEMENTS OF FORECASTING – PREDICTION 06
   3.1 The three approaches to forecasting 06
   3.2 When to use each type 07
   3.3 Developing a model in a spreadsheet 07
   3.4 Making the model reusable and the limitations of Excel 08
   3.5 Models from third parties – Excel templates 09
   3.6 Models from third parties – forecasting packages 10
4. ELEMENTS OF FORECASTING – COLLECTION 12
   4.1 The role of the accountant 12
   4.2 What’s wrong with Excel? 12
   4.3 A single company database 13
   4.4 Needs of the larger organisation 13
   4.5 Variance reporting 14
   4.6 Software will not solve everything 15
5. BUYING A PACKAGE 16
   5.1 Before you talk to suppliers 16
   5.2 A guide to the market 18
6. REVIEWS OF FORECASTING AND BUDGETING PACKAGES 20
   • Advanced Business Solutions Collaborative Planning 20
   • 4CastPro 22
   • IBM Cognos TM1 24
   • Prophix 26
   • Sage 50 Forecasting 28
7. SUPPLIER LIST 30
Advanced Business Solutions has delivered over 500 successful Business Intelligence projects, both in and out of the cloud.

Talk to us today to find out how we can help you make practical use of Business Intelligence.

08451 605 555  www.advancedcomputersoftware.com/abs
Forecasting and budgeting can mean different things to different people and especially to different accountants. In general use, the two terms are largely interchangeable despite their literal sense. As used in the accounting world, forecasting looks to the future and tries to predict an organisation’s financial outcomes in the light of past results and known or expected financial and non-financial factors affecting the business. A forecast, then, is an organisation’s prediction of where it is likely to be in, say, 12 or 24 months.

A budget is a financial plan upon which an organisation can be managed in the light of the forecast. It also looks forward, and users will regularly compare their budgeted figures with the current actual results. In the light of those results the financial predictions, the underlying forecast, and the budget, may be updated.

A forecast then is not a budget, but a budget may be a forecast.

Confusing? In a world where the rules for annual accounting are enshrined in law and financial reporting standards and regulations, the lack of a definitive set of rules or best practice on how to prepare a forecast seems a little unnerving. However, that is as far as we need to take the theory for the purposes of this software guide. There is a surprising consistency in the approach – or approaches – taken by most forecasting and budgeting software providers: enough consistency to ensure that the software can be applied in the majority of situations, yet with sufficient flexibility to cater for each organisation’s specific needs.

As with any technical guide, some jargon is inevitable. For brevity, forecasting and budgeting will be referred to as F&B throughout the rest of this guide. Business intelligence (BI) and corporate performance management (CPM) software cover a lot of the same ground but are strictly separate applications and are not discussed in detail here. We will just note that suppliers of BI and CPM software aimed at larger organisations often include F&B packages in their portfolio. The key difference is that software such as BI and CPM is generally about the past, analysing and making sense of past performance, whereas F&B is about the present and the future.
Since this guide was first published in 2008 several trends have been evident in the market:

- F&B systems have become easier to use – easier for users to generate their own reports or analyse data with ‘drag and drop’ and drilldown functions. Having reviewed a number of leading packages, it was striking how similar they all looked, and what similar functionality they offered.

- The underlying technology has become simpler, with a lot of integration of F&B, BI and CPM systems based on a common database and user interface.

- Performance has improved immensely – falling memory prices and low-cost 64-bit processing mean it is easier and faster to access data in memory rather than on a disk.

- Cloud computing has made it easier and cheaper for smaller and rapidly growing companies to invest in BI without having to worry about the accompanying IT infrastructure.

- There has been a growth in collaboration and workflow tools, and general workflow automation.

Several of the packages reviewed in the first edition have been acquired by larger companies while others no longer exist. However, the core features of the packages that survive are relatively unchanged after four years, suggesting that this has become a comparatively mature market. Of course, the basic principles of business F&B are unchanged – and the strengths and limitations of Microsoft Excel, whether 2003, 2007 or 2010 versions, remain the same.
To understand F&B software and the approaches taken by different packages it is important to grasp two key points.

1. THE THREE APPROACHES TO FORECASTING
Any forecast has to be derived from past and present data, otherwise it is simply a guess. Past and present data comes in different formats, so you can:

- Forecast from past totals.
- Forecast from past transactions.
- Forecast from business drivers.

The three approaches to forecasting may be appropriate in different parts of the same organisation.

2. PREDICTION AND COLLECTION
It is also important to distinguish between ‘prediction’ and ‘collection’.

For most people, ‘putting together a forecast’ means typing some variables and assumptions about the future into a spreadsheet such as Excel and coming up with some projected figures. For them, F&B is entirely about prediction.

But the accountant’s task is to compile a forecast for the company as a whole. So when you talk of ‘putting together a forecast’, you usually mean taking everyone else’s projections and combining them into a single forecast for the whole organisation.

This first sense, generic for everyone, we will call prediction. The second sense, the specialist task of the accountant, we will call collection.

The first part of this guide will cover forecasting and budgeting in its wider, ‘prediction’ sense. The second part will cover it in its ‘collection’ sense, meaning the assembly of a company-wide forecast.

We will also look at the limitations of spreadsheets and review a number of the principal packages on the market, what type of forecasting they are best at, and their qualities in each of the two areas. The packages are:

- Advanced Business Solutions Collaborative Planning;
- 4CastPro;
- IBM Cognos TM1;
- Prophix; and
- Sage 50 Forecasting.
3.1 THE THREE APPROACHES TO FORECASTING

Three approaches to forecasting can be identified. Each may be appropriate for different parts of the organisation.

Forecasting from past totals
This is the simplest method of forecasting. You take the figures you achieved for the 12 months of last year, then extrapolate from them to predict the figures you hope to achieve for the 12 months of this year.

Typically, the screen displays a month-on-month profit and loss-type (P&L) report in a matrix. The items to be forecasted (e.g., sales, purchases, rent, salaries, etc) are listed in a column down the left-hand side, while across the top is a row of months (Jan, Feb, Mar, Apr etc). You make your forecast and fill in the boxes on the matrix.

Forecasting from past transactions
To forecast from past totals, you need to have those totals available, usually from an accounts/ERP package. In practice, however, the standard reports from an accounts package are fairly limited and often do not give much more than monthly totals at the company level.

F&B packages are available that will take the individual past transactions from your accounts package, and then analyse and summarise them to produce summary reports at a detailed level which you can then use as a basis for your forecast.

This is the world of ‘online analytical processing’, (OLAP), which we will discuss in detail shortly.

Forecasting from business drivers
These first two approaches are basically the same – find out the totals for the past, then extrapolate from them to the future. However, the third approach – forecasting from drivers – is different in principle. Instead of taking past figures and deducing a trend, it ignores past performance and looks to the actual causes (in the jargon, ‘business drivers’) in the real world.

Drivers are the key variables that determine performance of the business. For personnel the key drivers might be headcount levels, annual salaries, bonus schemes, employer NI rates set by the government. For sales it might be sales volumes and selling prices, new products, the level of advertising. For purchasing it might be raw material costs, cost of energy, and so on.
3.2 WHEN TO USE EACH TYPE

Forecasting from past totals
Forecasting from past actuals is the simplest and quickest form of forecasting. Essentially, however, you are simply assuming that the trend of the past will continue in some form or other in the future. You are not deducing the forecast directly from the actual causes.

Where items are of small value, or are unlikely to change very much, forecasting from past totals is perfectly adequate. It is also quick and simple. Most fixed overheads would fall into this ‘micro’ category.

Forecasting from past transactions – OLAP
OLAP-based forecasting is a specialist area and mainly for large companies who have a vast amount of historical data that needs detailed analysis.

In fact, companies which need OLAP-based forecasting do not actually have a forecasting problem, they have a BI problem. Their problem is one of analysing their historical data (‘analytics’ in the jargon). Until you have made sense of the present, you have no foundation for predicting the future.

To calculate the summary totals, an ‘OLAP engine’ has to be linked to your accounts package to take the thousands or millions of transactions and crunch them down into summary totals. These totals are known as ‘cubes’ because they are multidimensional (eg, monthly sales by customer by region by product). The OLAP package can generate any number of these multidimensional totals, enabling the user to ‘slice and dice’ the data, ‘drill down/up’ for more or less detail, and pivot it to get alternative views.

The technology behind OLAP may be complex but the concept isn’t. If you print off a P&L report, each of the numbers on that report is a cube. ’Cubes’ are just monthly or weekly totals.

An OLAP-based package has to be linked at a very detailed level to data files in the accounts package. This is usually a long and complex operation since data files in accounts/ERP packages are designed for transaction processing, not reporting and to get quick response times, OLAP-based forecasting packages such as TM1 (see Chapter 4) calculate the totals in real-time, which requires a powerful server.

OLAP allows you to analyse high volumes of data down to great levels of detail, eg, which salesman sold how much of which product in which region in which postcode in which week? However, the high implementation costs and expensive equipment that is needed make OLAP very much a Rolls-Royce solution for larger organisations.

The rest of us will have to make do with Excel and report writers such as Crystal to get the analysis we need.

From business drivers
Forecasting from drivers is time-consuming since it means going back to first principles and to aligning your forecast with the way the organisation actually works. This goes way beyond the scope of traditional budgeting and it takes time to develop the model (see next section). However, developing a model is a valuable exercise in itself, helping you to broaden and clarify your own knowledge about how your business works.

It is worth spending the time to gain this extra insight into those areas of the business which have a substantial effect on costs or revenues. Typically these more ‘macro’ items would be sales, cost of sales, and payroll costs.

3.3 DEVELOPING A MODEL IN A SPREADSHEET

Once you have made the decision to go beyond simply budgeting for an incremental increase on last year’s figures and to try to identify your business drivers, you are now into modelling. You will need to design models of the major areas of the business such as sales, salaries and cash flow.

When you start to develop a model you will obviously have an idea in your own mind of what the drivers are and how they interact. But actually sitting down and creating the model will often clarify your thoughts. Halfway through you may realise that there are several other variables you had not thought of at the beginning, and so you revise your model to include them.

The finished model may work fine right now, but at a later date you realise that some other variables occur occasionally and they need to be included in the logic.

So models evolve and mature with time. The modeler becomes more knowledgeable, or circumstances change in the outside world, or both.
This brings us to a software tool that is inseparable from forecasting and budgeting – the spreadsheet. The vast majority of forecasts are produced in a spreadsheet of some form, with most people using Microsoft Excel. So from here on we will use Excel to refer generically to spreadsheets.

For something like developing a forecasting model, Excel is ideal. It is a very large ‘blank sheet’ which is totally flexible. It is very easy to use and this, combined with its flexibility, means that it can be changed very quickly, enabling you to work out the model interactively within Excel as you go along.

A word of warning: Excel is by its nature a two-dimensional worksheet. Pivot tables can be used to create very rudimentary multidimensional models, but once an organisation needs to model multiple dimensions within the same data (eg, time, geography, product line/group, currency, etc) specialist F&B software is the only option.

As we shall see later, there is one area of modelling that Excel is not very good at, and that is cash flow.

### 3.4 MAKING THE MODEL REUSABLE AND THE LIMITATIONS OF EXCEL

So you have used Excel to develop your model and you are now satisfied with it. You have identified all the important drivers and the model accurately reflects how they interact.

Having completed the first step of elucidating the model, the next step is to fit out the model for future use. In three months’ time you may want to update it and roll it forward another three months. And while it is very clear in your mind now, when you come back to it in three months’ time you want to understand the formulae you have used to calculate the figures and see the assumptions behind them.

This is when things tend to start going wrong. So often people develop a model and at the time it all makes sense. They come back to it a couple of months later, and it is a struggle to work out what it all means. When someone else looks at it, it does not make sense to them at all.

**The need for structure**

A forecasting model is basically a logic engine. You type in some inputs (your future assumptions for the drivers). The engine applies the logic to them and generates some outputs (the projected results). To make a model robust and reusable, these various elements have to be clearly identified and separated out into inputs, processing logic and outputs. A reusable forecasting model will explicitly identify:

- what the drivers are;
- the logic being applied to the drivers;
- the assumed values for each driver being keyed into the model, and, in more complex models, where those values have come from.

The classic mistake with forecasts in Excel is to not keep these separate. Assumptions and drivers are all jumbled together in complicated formulae instead of being separately identified.

**Advanced skills – discipline and documentation**

Excel contains the tools for creating a reusable model. Storing the assumptions in their own separate worksheet, and using Named Cells and Named Ranges will go a long way towards creating a structured and reusable model. See the simple example with VAT overleaf.

However, there seems to be no agreed methodology about how to construct a forecasting model and separating out the assumptions, drivers and results. Most spreadsheet users do not recognise that a model, once developed, will need to be rewritten and formalised into a structure in order to make it reusable. Very few document the logic behind the model so that it can be reviewed and updated by others, or by their successor in the specific role in the company.

Even if they did, in a busy life most accountants are self-taught in Excel and learn just enough to do the job in hand. Writing a reusable model is a skilled job, particularly if the model is going to be used by someone else, for example a budget holder, who may have few or even no spreadsheet skills. In that case, should it allow for data entry errors in case the user types in letter O instead of a number 0? Should it include checksums to make sure the numbers balance internally? How much of each worksheet should be locked down and password protected to avoid corruption?

**Summary of developing a model using Excel**

To summarise, Excel is perfect for developing a model because of its total flexibility. However, once the model has been worked out, it now needs to
Example of a structured model in Excel – VAT (continued)

Now from the Formulas menu, choose Define Name and set the Scope to ‘Workbook’ and give D3 the name VATRATE. Then go back to the worksheet containing your list of numbers, and in B2 type the formula = A2 + (A2*VATRATE).

You can use VATRATE in formulas throughout the entire workbook.

This is the best way. All your assumptions can now be stored together in one place. And the VATRATE, even though it may be used in numerous formulas in the workbook, only has to be input once. This ‘one-to-many’ relationship minimises data entry and potential errors, and makes updating easy if the VAT rate changes.

The third solution is the best in the long run but it is not intuitive and requires some initial thinking about design. Most people will opt for method 1 because it is the quickest route to solving the immediate problem.

3.5 MODELS FROM THIRD PARTIES – EXCEL TEMPLATES

Buying Excel templates off-the-shelf

If you do not have the skills to build your own reusable Excel models, then consider buying them from outside. One possibility is to buy an Excel template off-the-shelf. Templates are standard models which have already been written in Excel. You key in your assumptions, and the template will generate the results for you, often with attractive graphs to impress the bank manager or investors.

These templates will usually have been written in a more professional manner than models developed by you in-house. However, there are disadvantages. The first is that the template is a standard product. How do you know it will fit the unique requirements of your business?

The second is that it is usually difficult to evaluate the underlying logic. You enter the data – and results come out the other end. But how do you assess the processing in the middle? Usually it will be buried in a welter of formulae and macros. If the logic is simple enough to disentangle quickly, you probably could have written it yourself. If the logic is more complex than that, it will probably be too complicated to work out and you just have to take it on trust.
3.6 MODELS FROM THIRD PARTIES – FORECASTING PACKAGES

Alternatively, consider using a specialist forecasting package. These have numerous advantages over Excel:

- They are specifically designed for modelling, whereas Excel is a general purpose package.
- They are installed by consultants who will supply the modelling skills you lack yourself.
- They come with models pre-built which you can adapt, rather than build from scratch.
- They can consolidate all the departmental models into a single company database.

Often, the appropriate point to buy one of these packages is when you have developed numerous separate Excel models over time. They are reasonably mature, if not particularly easy to use. Having got as far as you can, based on your own resources plus Excel, it is time to nail them all down into a single, properly organised, company forecasting system.

Cash-flow forecasting

One significant benefit of buying a third-party package is that cash-flow forecasting can now be much more detailed and sophisticated than is possible with Excel.

An F&B package that is aimed at accountants (not all of them are) will invariably come with a strong cash-flow modelling facility pre-written into it, either within the core product or as an additional module, and will have the underlying structure that makes refined cash-flow forecasting possible. Effectively, the cash-flow forecast is the detailed financial worksheet that generates the projected P&L account and balance sheet.

The supplier’s consultants will be able to help you adapt the standard cash-flow model to your own needs.

Implementation consultancy

Apart from the software itself, implementation consultancy is crucially important. After all, when you start up the package it is simply a blank sheet, a set of tools. You need help to get the best out of the software, particularly if you have no previous training in creating models.
Consultants can show you how to develop your models for, eg, salaries and cash flow, in the most effective way. They can also help with the sales model, where the essential knowledge may be locked away in the brain of an operational manager in the field, who may not be very IT literate. He/she knows the business, but may not know how to write a model.

Good consultants help you write good models. It is highly desirable that you are confident that the figures are reliable when budget holders submit their forecasts to you.

And they have done all this many times before. Often they will have previously built models similar to yours for other clients. You can progress much faster by building on one of theirs rather than constructing a new one from scratch.

**Interview your consultants**

Therefore it is important when buying an outside package not to just talk to the salesman. Find out who is going to help you implement the system and interview them to check for personal chemistry and their business expertise. Raise a knotty problem you have. The ideal response is: ‘Yes, we had the same problem when I installed with company X. We handled it this way.’

Good implementers have a wide experience of different companies and can be a real help to you in setting up the system well. Note, by the way, that this has little to do with IT. The key skill is business experience – understanding the task that the software is intended to perform.

Good consultants are essential, but do not be tempted to hand over to them. Take ownership of the project, and make sure that your own staff have ultimate responsibility for building the models. After all, they are the ones who know about the nitty-gritty detail of your business.

And inevitably any models you create with the consultants will have to be changed at some time. When this becomes necessary, you need to be able to make the changes yourselves without having to call them in for help.
4 ELEMENTS OF FORECASTING – COLLECTION

4.1 THE ROLE OF THE ACCOUNTANT

So far we have discussed F&B software in its generic sense, helping anyone in the organisation to predict future performance for their own department. Accountants make their own predictions like anyone else but, as an accountant, you have another – unique – role, which is to collect together everyone else’s forecasts and aggregate them into one predicted set of results for the organisation as a whole.

We have referred to this as the ‘collection’ part of forecasting and budgeting, and we can identify four main aspects:

- Firstly, you take everyone’s individual forecasts and assemble them into a single P&L forecast for the whole company.
- Secondly, you make changes to this P&L forecast until it is finally agreed by everyone.
- Thirdly, in your role as guardian of the company’s balance sheet, you take the company P&L forecast and turn it into a balance sheet and cash-flow forecast.
- Fourthly, as operators of the company’s accounting software, you take the actuals achieved, compare them with the budget, then report variances to management.

As an accountant having an overview of the company’s operations, you may also be expected to apply some ‘sense check’ to the forecast. For example, if significant growth in sales is forecast does the company actually have the capacity to fulfil those sales?

4.2 WHAT’S WRONG WITH EXCEL?

It is at the collection stage that Excel is inadequate for F&B.

Suppose that a company is using Excel to create its forecasts. Worksheets containing forecasts for the individual departments have all been produced. The next step is to set up a worksheet containing the P&L forecast for the whole company.

This P&L worksheet is largely made up of embedded formulae pointing to totals in the departmental worksheets. If a change is made at departmental level, it should then flow automatically up to the P&L.
For the figures to flow through from one worksheet to another, both Excel worksheets have to be open at the same time. Therefore, in practice, all the departmental worksheets have to be stored in a single Excel workbook. The company forecast is becoming unwieldy. It is also inherently unsuitable for large organisations where the budgeting process is a collaborative one across a number of sites and perhaps countries.

**Formulae on formulae**

As an accountant, you now have to perform your own tasks on the company forecast – perhaps apportioning central overheads back over the individual departments, and working out the cash-flow forecast by applying payment terms to sales and costs.

With formulae now being applied to numbers that are themselves the product of formulae, very soon the company forecast develops into an overly-complex, Heath Robinson-type contraption which is understood only by its originator. It takes a long time to assemble and is extremely difficult to change. If the logic or assumptions are changed in one of the subsidiary schedules, how can you be absolutely certain that the change has been correctly reflected in the top level P&L?

Human ingenuity together with Excel’s flexibility can achieve much, but this ingenuity is misapplied. Excel is not built for this sort of thing and another solution is required.

**4.3 A SINGLE COMPANY DATABASE**

**The need for a single database**

The flexibility of Excel is a strength at the departmental level, but at the company level it is a weakness. To combine all those departmental forecasts into a single company forecast requires software that is structured and robust. A single database is required to integrate them all, designed to handle changes at one level and to flow the results forward or back to another.

The bigger the company, the more complex its operations and the more subsidiary schedules are floating around from individual departments. So the bigger the ‘collection’ problem becomes, the more important it is to find a single database solution to ensure that, as one software supplier puts it, there can only ever be ‘one version of the truth’.

On the other hand, the managers who make departmental forecasts still much prefer to use Excel, which is fine for them. The ideal solution then is to have a third-party package into which you can feed the departmental forecasts written in Excel. This aggregates them all into a single, structured, database upon which you can perform further calculations such as overhead apportionment and cash-flow forecasting.

**Can small companies manage with Excel?**

Clearly, the larger the company the more the need for a single database is apparent. However, in a small company where one accountant writes all the worksheets and links them all together, then perhaps everything can be done in Excel.

The problem is that there is an unhealthy reliance on one individual. What if the accountant leaves? What happens when the accountant who put together the budget last year has since left. His or her successor will usually find that it is just too complicated to be able to work out the logic and the only safe solution is to start again from scratch.

The key points are to ensure that if Excel is used then you should make sure it is fully documented, and that deputising and/or succession issues are adequately planned for. Even with Excel, there is a lot to be said for buying in a day or two of specialist consultancy time from an Excel expert to help the finance team build a robust, reusable model.

Excel is fine in a small company, where the whole process is handled by one person, and for producing departmental forecasts. But when you need to aggregate them all together into a company forecast, use a dedicated package.

**4.4 NEEDS OF THE LARGER ORGANISATION**

The larger the organisation, the bigger the number of subsidiary schedules making up the company forecast, and therefore the more important the ‘collection’ features within any F&B package.

However, the biggest differentiator is the need for collaboration. Gone are the days when a few people at corporate HQ created a budget in isolation and simply handed it out to everyone else. Nowadays, budgeting is an organisation-wide activity, so the software system needs to accommodate and manage a much higher degree of collaboration. Indeed, the availability and functionality of such systems has resulted in budgeting becoming an even more collaborative process!
Forecasting in larger organisations is often part of an overall planning and budgetary control system. Managers are held to account, usually in the form of monthly management accounts which show their actual performance against budget. To achieve this, data needs to be shared across the organisation, in real time, so communication and reporting tools – such as automated ‘dashboards’ – are critical for the success of an F&B system in a larger organisation.

Forecasts are therefore more negotiable. When a manager submits a forecast, senior management might say it is too high and send it back. So, several versions may be submitted before the forecast is finally accepted. And sometimes more than one manager is involved in creating a single forecast.

In a group context there will be a further layer of collection, as subsidiaries’ forecasts are submitted to the holding company for consolidation into the group forecast. This is very difficult to achieve on a timely and cost-effective basis with Excel alone.

**Workflow**

As more people become involved in creating the overall forecast, and their individual forecasts are more subject to negotiation back and forth, it is necessary to keep track of documents and which individual within the organisation has them at any moment in time.

This is known as ‘workflow’. With workflow you can see a list of the outstanding documents which will make up the budget. It shows who has got the document, and when they received it. Emails between yourself and the managers are stored as well.

**Version control and data integrity**

As the forecasts are revised and resubmitted, it will be necessary to keep track of the different versions out there, and to record which individual has made which changes to the document.

As revised forecasts are received, the new version needs to be plugged into the company forecast. Version control also allows you to keep track of which versions of the departmental forecasts are currently incorporated into the draft company forecast.

Large organisations usually need a multi-user database system, with the software resilience and controls over data integrity that this requires. Top-end solutions incorporate these features, but at a cost in terms of both software and hardware requirements.

**Remote data entry**

If the organisation operates from multiple sites, managers in different towns or different countries will be collaborating to produce the forecast. You have to consider the process by which they submit their forecasts.

The least satisfactory solution is for managers to create their forecasts in Excel, then email them to the centre, which keys them into the main forecast. It would be better to upload them to a central location, eg, via Microsoft Sharepoint and Excel Services. However, the best forecasting packages will have remote data entry, allowing managers to enter their forecasts directly over the internet. They will also accommodate the multi-currency and multiple language needs of multi-national groups.

Ideally, a good F&B package will recognise the needs of both spreadsheet and non-spreadsheet users and offer a choice of data input methods - including Excel, although some have opted for their own look-alike worksheets which incorporate many familiar Excel functions and shortcuts.

**Revising existing forecasts**

If there is a lot of negotiation over forecasts, and multiple versions are produced before the final one is agreed, it needs to be easy for managers to take their current forecast and revise it, rather than have to rebuild a new one from scratch every time.

For example, suppose a manager has forecast in the first draft of the departmental budget that departmental costs will add up to £120,000. Senior management reject this and tell the manager that the maximum the department can spend is £100,000. The software should help the manager to re-calculate the forecast based on this reduced total.

**4.5 VARIANCE REPORTING**

As an accountant you are required to take the actual figures, compare them with the budget and show variances, typically as a part of a monthly management pack which is circulated to senior management.

The actuals will usually be extracted from the accounts package (Sage, SAP, Pegasus etc.) and then brought into the forecasting package for creation of the final reports. So it is essential to consider any F&B package from this angle – what sort of variance reporting do you want and can the package provide it?
We can assume that every F&B package is capable of reporting in the standard columnar format of actual, budget, variance for this month and year to date. However, you may require other formats, for example:

**Multiple variances**
Rather than simple totals of actual-budget-variance, do you want to report multiple variances? For example, when reporting on sales and cost of sales, you might want the software to calculate multiple variances such as sales price variance, sales volume variance, purchase price variance, exchange rate variance, etc, perhaps as part of a system of standard costing.

**Flexed budgets**
If one item in a P&L report differs from forecast, it might invalidate the variances of all the other items in the report. In this case do you want to be able to hold ‘flexed’ budgets reflecting differing scenarios? For example, in the hotel business, you might produce budgets based upon 60%, 70% or 80% occupancy levels. If the company achieves 70%, you will wish to use that version of the budget when reporting actual against variance, thus ensuring that all the variances are valid.

**Driver variances and KPIs**
Reporting results in purely financial terms may not be as meaningful as reporting the key drivers directly. Therefore aim to include target and actual figures for the major business drivers in your reports.

Perhaps these could be presented as a set of non-financial KPIs (key performance indicators) which accurately reflect the performance of significant business drivers.

**Rolling forecasts**
Most budgets are produced for a year ahead. As the year progresses, if the actuals and budgets start to diverge it will become clear that the budgeted figures for the latter part of the year may be exceeded or missed.

Critics of traditional budgeting methods argue that forecasts based on incremental changes to the previous year’s actuals are time-consuming to produce, inefficient and make no contribution to corporate strategy management.

A better approach is every month or quarter to revise your forecast for the next 12 months to take account of the latest developments. The 12-month forecast becomes a ‘rolling forecast’ since it is being continually updated every quarter. Rolling forecasts are widely regarded as a better way to improve management and help companies think proactively about their business.

However, moving from an annual to a monthly budgeting cycle can create a huge burden for budget holders and managers, so the F&B system needs to automate and simplify the data entry and reporting process as far as possible.

**Matching nominal and budget categories**
There is one important piece of ‘housekeeping’ to be aware of. Generally speaking, organisations budget at a level higher than nominal code level. So in their budgets they might have 10 categories which cover 20 nominal codes in the chart of accounts.

You need to make sure that the F&B package has the facility to assign (‘map’) each nominal code to a budget category, so that reports of actual versus budget truly compare like with like.

In the same way, if a new (and therefore not budgeted for) nominal code is set up during the year, it must be straightforward to assign it to a budget category and to ensure that individual nominal codes cannot be omitted from the final reports.

### 4.6 SOFTWARE WILL NOT SOLVE EVERYTHING

A word of warning before we look at the software buying process. While modern F&B software can help automate and improve the budgeting process, it has to be said that the principle underlying weaknesses in the F&B systems of most companies are not software-related. To fully realise the benefits of its new all-singing, all-dancing software, management needs to re-evaluate its budgeting process and take this opportunity to improve the entire budgeting cycle – not just the software used in the cycle. This is an area where the accountant and finance team can offer some valuable leadership.
5 BUYING A PACKAGE

Once you have decided that you wish to go ahead and buy a package, you need to do some preparation before you start seeing potential suppliers. Firstly, you have to identify who needs to be involved in the buying decision. Secondly, you have to set up a test pack of sample data. Thirdly, because the market is so diverse, you need to define your own needs and get a clear idea of what sort of package you require.

5.1 BEFORE YOU TALK TO SUPPLIERS

The buying team

First, set up a team of users who will attend product demonstrations and recommend which product you buy. F&B is often a complex exercise, involving the collaboration of numerous users in different departments of the organisation. There are three distinct groups:

- There are the forecasters, who need to improve the quality of their forecasts, usually with respect to sales. They need more sophisticated tools.
- There are the accountants, who need to aggregate everyone else’s forecasts together, and derive a cash-flow forecast and balance sheet.
- Thirdly, there are the budget holders, who submit the forecasts for their own departments. They want a package that is easy to use, like Excel.

The needs of all three groups are different and it is important to make sure that the interests of all are represented in the buying decision, rather than just one of them. So identify the forecasters, accountants and budget holders in your own organisation and ensure that someone from each group is on the team.

Put together a test pack

Demonstrations from possible suppliers should be as close to the realities of your organisation as possible. Therefore, when demonstrating, make sure that they use your data rather than their own.

So, before talking to suppliers, you need to put together a test pack of your own data which the software should be able to handle. Make sure the more complex areas are covered, eg, sales, salaries and cash flow. Use this during demonstrations.
One of the key requirements in any forecasting system is flexibility. So test how easy it is to change a model. How easy is it to amend underlying drivers and assumptions? How quickly is the forecast re-calculated?

**Define your needs**

The variety of F&B packages is enormous, reflecting the different types of organisation they cater for. You will save yourself a lot of time if you can work out what segment of the market you are in.

Developing the test pack will help crystallise your thinking on this.

The software package you need depends really on two levels of complexity. The first is the complexity of the model(s) you want to set up in order to make predictions about your business.

The second is the complexity of the business in logistical terms (number of staff involved in creating the forecast, number of sites, etc).

And do you have a prediction problem or a collection problem, or both? If the departments are reasonably accurate with their forecasts but it is a lot of work to consolidate them together, you have a collection problem. If the forecasts from some departments are inaccurate or inadequate, you have a prediction problem.

**Some key questions**

**Prediction:**
- Do we need better analysis of historical data (OLAP)?
- If yes, how many dimensions of analysis do we need?
- Do we need to introduce driver-based forecasting?
- Do our models accurately reflect the drivers of the business?
- Are our models reliable for repeated use?
- Do we need outside help to create better models?

**Cash-flow modelling:**
- Are our cash inflows complex and/or lumpy?
- Are our cash outflows complex and/or lumpy?
- Do we want to include committed costs (ie, sales and purchase orders)?
- Is Excel good enough, or do we need a third-party package?

**Collection:**
- How many subsidiary schedules will go into the company P&L?
- Do we need them consolidated into a single database?
- Do we need workflow?
- Do we need version control?
- How should budget holders submit their forecasts (email, internet, Sharepoint, etc)?

**Reporting:**
- Do we want to produce our monthly management pack with this package?
- What layout do we require for each management report?
- Do we want to include non-financial data (KPIs)?
- Do we want to implement rolling forecasts?

**Implementation:**
- Should we buy a highly customisable toolkit solution and invest time and money in setting it up, or would a packaged solution meet our requirements?
- How much professional help will we need to set up our F&B system in terms of initial consultancy and ongoing training?
- How quickly will we be self-sufficient – ie, able to use the system without help from external consultants?
- Do we have sufficient internal IT expertise to implement a complex package? If not, can we outsource or use a 'Software as a Service' solution?
- Do we have special requirements such as remote, multi-user access, access from non-PC devices such as smartphones and tablets, multi-currency or multi-language?
- How easy is it to connect the F&B system to our existing accounts and other back-office databases?
What about Excel?

- And finally, where does Excel stand in all this? Are we willing to banish Excel entirely, or would there be too much resistance from users?
- Can we find a package that uses Excel for data collection and reporting for those who are most comfortable with that platform, while also catering for non-spreadsheet users too?

5.2 A GUIDE TO THE MARKET

There is a wide variety of packages out there, catering for a wide variety of users. Some are designed for small businesses, others for larger. Some aim at the general business user who needs a good set of forecasting tools; others aim specifically at the accountant, with emphasis on cash-flow modelling and reporting.

In this section we will look at the various market segments and the packages that serve them.

The accountant in practice

Typically, the accountant in practice will be asked by a client to help them put together a business plan to submit to a bank manager or potential investor. The client has probably already produced their own month-on-month P&L forecast. They now need their accountant to add a cash-flow forecast and turn it into a professional-looking business plan.

Use Excel for this, or one of the off-the-shelf Excel templates.

The accountant in a small business

In a small, owner-managed business, the accountant sits down with the Managing Director and perhaps the sales manager (in the smallest company one person may hold all three roles!) to work out the forecasts. Based on discussions with them, they will type all the forecasts for the various areas of the business into a spreadsheet.

The final company P&L may end up as a rather complex beast in Excel, with lots of updating and embedded formulae between the different worksheets. However, because you have produced it yourself, you are in a position to understand it.

Excel can handle the P&L side of the forecast, but if cash-flow projections and balance sheets are required, it becomes increasingly unwieldy. In this case, consider Sage 50 Forecasting, with the additional consolidation module if you need to collect individual forecasts to create an overall company or departmental forecast.

Sage 50 Forecasting will take the elements of the P&L forecast and allow you to enter sophisticated payment terms onto individual revenue streams or expenses. And it can handle the lumpy cash items such as VAT repayments. Effectively, it allows you to create good quality cash-flow forecasts and balance sheets.

As such, Sage 50 Forecasting is very much an accountant’s product, enabling you to take the forecast at P&L level and convert it into a good quality cash-flow projection and balance sheet. It can import data automatically from Excel, which remains better for departmental forecasting. As an added bonus, it can also import actual data automatically from Sage 50 accounts and many other SME accounting packages.

Small to medium organisations

Sage 50 Forecasting is fine as long as all the work is done by the accountant. However, as the company gets larger, forecasts are now done by the individual managers who are, after all, closer to the action and the best qualified to make forecasts. Invariably these are written in Excel and are of varying quality.

You could enter the results of all these subsidiary schedules into Sage 50 Forecasting, but the detail of the schedules would be lost. So if, for example, you want to query the Personnel costs in the company forecast you will have to go to a separate Excel worksheet to see the detail.

At this point you might invest in a product such as 4CastPro, which offers collaborative working and workflow controls over a local area network, via distributable spreadsheets or the web.

Such solutions meet the needs of managers and FDs who so far have done all their forecasting in Excel. They are comfortable with Excel and appreciate its flexibility, and want to stick with it. But at the moment they are finding it hard to link all the disparate worksheets into a coherent whole.

Medium to larger organisations

As the organisation gets larger it may see forecasting and budgeting as very much a tool for running the business on a day-to-day basis.
Most of these forecasting modules were developed independently by specialist companies and were subsequently bought in and rebadged by the major players as they jostled to keep up with each other. Unfortunately, small niche products often fail to flourish once they have been taken over by large vendors so it is worth looking at the support and development history of such products since their acquisition. As a general rule, packages from specialist independent suppliers are superior.

Larger organisations can afford the expense of OLAP-based forecasting solutions, such as IBM Cognos TM1, which is a high-end OLAP-based package which can analyse millions of transactions yet still offer speedy response time. TM1 is very much a specialist ‘point’ solution for analysing sales or similar data, but also incorporates the specific requirements of the accountant.

Moving up to the next level, the upper mid-market and enterprise space, we come to OLAP-based products such as Prophix, described as a ‘unified performance management system’.

The rise of cloud computing

Many business applications are moving onto a Software as a Service (SaaS) basis, often referred to as ‘cloud computing’, where both applications and data are hosted remotely and accessed via an internet browser. There are now several established F&B SaaS solutions, for example Adaptive Planning (www.adaptiveplanning.com), a highly scaleable solution which requires simply a computer or mobile device with internet access for each user plus on-site connectors to upload the customer’s accounting data to the cloud. Organisations of all sizes will find the low entry cost, rapid deployment and outsourced IT aspects of cloud solutions very attractive.

Large organisations

There are numerous packages at the top, enterprise level such as IBM Cognos Planning TM1, Oracle Hyperion and SAP Business Objects, all of which link to the supplier’s own accounting package. This brings benefits in that the analytics and the planning can be closely integrated.

Microsoft incorporated its Performance Point Server into the enterprise version of Sharepoint Server in 2009 and no longer markets a separate, standalone F&B product. Microsoft Dynamics ERP systems incorporate their own BI and forecasting tools.
Advanced Business Solutions
Collaborative Planning

TARGET MARKET
Collaborative Planning is especially suitable for larger public and private sector service-based organisations which are accounting-driven. A big advantage is that it comes from a supplier with lots of experience in implementing accounting systems in this area.

COST
Details on application.

CONTACT DETAILS
Website: www.advancedcomputersoftware.com/abs
Telephone: 0845 160 6162
OVERVIEW

In 2010 Advanced Computer Software Group plc (ACS) acquired COA Solutions, one of the UK’s largest suppliers of accounting software to public enterprise sector and customers. COA’s products included a Corporate Performance Management suite (BI – scorecards – analytics – dashboards etc) called Collaborative Planning, a budgeting and forecasting system which works with all group packages and third-party accounting systems too. COA Solutions became the Advanced Business Solutions division of ACS.

Most customers at present are those in Advanced’s own accounting systems specialist area – mid-market, service-type organisations in the public and private sectors where budgeting activity is typically driven by the accounts department, who may be finding themselves bogged down in pulling together innumerable spreadsheets.

Collaborative Planning (CP) is a web-based system that handles budgeting, forecasting and forward planning. It consolidates and holds the data in a single database. You can budget at both general ledger and project level, and create multiple models with different dimensions based on data from multiple sources – general ledger, sales, HR payroll, etc.

In appearance CP is very attractive and easy to use. It uses tools familiar to spreadsheet users to manipulate, calculate and aggregate data in a browser environment. Entering figures is easy, with good facilities for entering a total figure and smoothing it, or decreasing and increasing by a percentage. Wizards are available to automate many processes. Because it is linked to the accounts system, CP holds profiles based on previous year actual and you can apply these to the budgets as well (one of the advantages of buying both your accounts and your budgeting system from the same supplier).

The ‘Budget Cycle History Details’ screen shows a global view of where you are in the budget preparation process. Activities can be timetabled and traffic lighting quickly identifies the status of each department’s budget to facilitate overall control and supervision of the budget process. Budgets, once submitted, go to managers who can see their own consolidated position. They can adjust the numbers, then send them back to the originators, all of this taking place immediately over the internet. Conversely, central budgets can be set and allocated across departments based on user-defined rules.

As the name suggests, collaboration is a key feature of the system. Access is carefully controlled, every use of the system is date- and time-stamped and every amendment is logged so that managers can see a detailed audit trail of changes made to budgets. To meet the demands of public sector organisations, ‘virements’ are carefully controlled and logged to ensure all budget transfers are properly authorised and approved. System messages or emails can be created automatically as completed budgets are passed up and down the organisation. Work instructions can be stored within the application, avoiding the need to keep reference documents on a separate intranet.

The screens are admirably clear and drill-down is excellent, from group level all the way down to the ‘cell audit’ of all changes made to any number. And in the case of past actuals, you can drill down to transaction level. Where budgeting from drivers is required, dedicated ‘calculators’ can be created to generate data, for example detailed employee resource data from an HR system can be compiled to generate budgeted payroll costs. Advanced’s consultants will help users build models as part of their implementation, but always aim for skills transfer so that users are self-sufficient as soon as possible.

Data can be output to Excel in various forms, all maintaining the underlying CP hierarchy, formatting and cell notes, for ad hoc reporting, but the system includes a comprehensive range of built-in reporting options including graphical dashboards.

SUMMARY

A very attractive enterprise class package, whose web-based design based on a single, central database makes it quick to consolidate budgets in real-time with what Advanced refers to as ‘one version of the truth’. Being web-based it allows managers anywhere in the organisation to work on budgets and view reports in real time. Screens are elegant and easy to use. Being able to integrate past actuals from the accounts system with your budgeting system is very helpful, and drill-down is excellent. It gets the whole budgeting process under control from the point of view of the accounts department.

CP has been written generically in order to work with any of Advanced’s three accounting packages, so it can be configured to work equally well with other finance systems in the market.
4CastPro

TARGET MARKET
SMEs with turnover up to £50m.

COST
From £1,590 (single user).

CONTACT DETAILS
Website: www.4castsolutions.co.uk
Telephone: 01291 630603
Accounts can be grouped and analysed to give multiple views, for example by cost centre, location, department or product type.

The spread/fill and 5 Year Plan Tool make it easy to populate a detailed budget very quickly using a range of customisable parameters.

A copy of the data can be made to enable the user to make ‘what-if’ calculations or flex the entire budget.

Reporting is a particular strength of the system. 4CastPro includes two well-designed (but customisable) reporting packs, a ‘Management Accounts’ pack including statutory format and detailed management accounts, and a ‘Plan Pack’ which includes 12 month P&L and balance sheets for as many years as required. These enable users to quickly prepare formatted consolidated reports for board meetings, etc without needing to resort to Excel, although they can of course be further enhanced and added to in Excel if required. The Journal facility enables a user to make changes to imported data while reviewing management results; journals can then be printed out and passed back to the accounts department for posting. A Word template is also provided to assist in drafting a narrative business plan to accompany the financial data.

SUMMARY

4CastPro achieves a lot of its original aim of filling the middle ground in the F&B software market. It is the natural solution for Access Dimensions users but would also suit users of Sage 50 and groups with multiple systems needing consolidation, budgeting, monthly re-forecasting and a monthly management accounts pack but without the investment required to implement one of the top end F&B solutions. However, it works just as effectively for a single company, single cost centre entity that simply needs an efficient management reporting and forecasting tool.
IBM COGNOS TM1

TARGET MARKET
Medium-sized and large organisations with large volumes of historical data to analyse, and requiring a powerful OLAP budgeting, forecasting and analysis solution.

COST
Price on request.

CONTACT DETAILS
Website: www.cognos.com/products/tm1/
Telephone: 01475 898688
OVERVIEW
Conventionally, analysis of historical data from an accounts/ERP package (in the jargon, ‘analytics’) is done by BI (business intelligence) software, while predicting the future is done by a forecasting package, and the two areas are kept separate. However, OLAP-based systems like IBM Cognos TM1 straddle both BI and forecasting, taking hundreds of thousands or millions of transactions from your accounts/ERP package and allowing you to slice and dice them any way you want. Having used TM1’s analytical abilities to make sense of the past, you can then use its forecasting abilities to predict the future.

Initially, organisations are likely to buy TM1 as a solution for a particular departmental problem – Cognos say it is suitable for sales analysis, financials, budgets, merchandise planning, risk analysis, mergers and acquisitions, modelling and ABC analysis, and that it can be used by the Financial Controller, FD, Sales Director, Marketing Director, Board and CEO. After the initial installation other departments are likely to see its potential.

Technical
The key advantage of OLAP software is that it can punch its way through vast amounts of data quickly enough to offer acceptable response times. Suffice to say that TM1’s patented 64-bit in-memory OLAP engine does real-time data analysis and writeback (the forecasting element) in the blink of an eye, whatever the size of the data set. The Cognos Analytic Server includes data connectors that are shared with IBM Cognos Business Intelligence to streamline the loading of data from disparate sources into models, and to assist users in automating the import of the data they require, no matter what other systems an organisation may run.

Once you have installed TM1 and defined the dimensions of analysis you want to use, you can then create the data cubes (ie, summary totals) you require and base your forecasts and your models on them. You can, however, refine your analysis by adding, removing or refining the dimensions, move between financial and driver-based forecasting, and create any number of ‘what-if’ scenarios with the innovative ‘sandbox’ feature. Once you are happy with the final version, this can be locked in read-only mode and time- and date-stamped ready for review and approval.

Users access the software via a choice of interfaces, including Excel, web and the new Cognos Insight interface that has been designed with non-spreadsheet users in mind. The personalised analysis and planning desktop combines analysis, planning, reporting and personal dashboards in a single, intuitive-looking interface. At one extreme, Cognos Insight opens up the opportunity for standalone users to do analysis with TM1, while the system scales up to the largest installations with over 1,000 users.

Users are not left to ‘reinvent the wheel’ as dozens of helpful Cognos Performance Blueprints – pre-configured templates – are available to make implementation quicker, at less cost and with less risk.

Cognos Analytic server can be deployed on a centralised or distributed basis, depending on the level of interactivity required. A strong feature of TM1 is its scaleability, but it really comes into its own in large organisations where it offers a single secure environment to enable localised responsibility for the planning process and collaboration across business units, functions and geographical spread, but with clear accountability and control at the top level. Users can collaborate across the organisation by promoting their plans in a tailored dashboard in Cognos Business Insight, publishing material in Cognos Business Intelligence or moving their plans to the web for wider distribution.

SUMMARY
TM1 is very much aimed at the end-users rather than the IT department. The facility to access it using both Excel and the Cognos Insight interface makes it equally accessible by finance and non-finance staff. It manages to be a system that can be controlled by the finance department, with business users managing their own work, but without a need for constant IT support.

TM1 is a very powerful enterprise-level solution combining a comprehensive set of tools for reporting, planning, budgeting and forecasting, so the cost of implementation will be far higher than that of the other products in this guide. With that proviso, TM1 is a superb product – as long as you can justify the IT investment to support an OLAP system.
OVERVIEW

Prophix was established in Ontario, Canada in 1987 and has been developing its own software solutions since 2000. It now has over 40,000 users in 94 countries of which the UK is the fastest growing region. At the top end of the market it competes with large enterprise focused products such as IBM Cognos, Oracle Hyperion and SAP BPC but is entirely scalable, from a single user to its largest installation with 2,500 users. As a ‘unified solution’ every customer gets exactly the same single software installation and software pricing relates to the number of users and servers required to run.

Built on the industry leading database platform (Microsoft SQL Server 2008 R2) it is a very open system that can be easily used via Open Database Technology (ODBC) with all sizes of accounting systems, from enterprise-level ERP systems such as SAP and Oracle to SME accounting packages such as Sage 50. As well as from the general ledger, Prophix can also import source data from multiple underlying systems including non-financial sources such as payroll (HR), sales and procurement systems. In addition to ODBC it also supports connection via SQL, CSV, Excel and, if needed, the imports can be scheduled to run automatically.

Essentially Prophix is a unified performance management solution. It can be used simply for month-end closing and management reporting, or for fully integrated budgeting and forecasting right through to a full CPM solution for an entire organisation’s performance management needs. It has very strong multi-currency functionality where all figures can be reported in either native or group base currency.

User-definable dashboards can be set up to display historic data, with full drill down to more detailed dashboards for individual areas of the business, and further on down to the underlying data. Data can be further analysed by creating ad-hoc reports to identify problem areas – the process uses simple ‘point and click’ formatting, very much like Excel but without the related shortcomings. More importantly reporting is based on the current accounting data so users can produce detailed timely real time management information. If necessary, data can also be output to Excel for disconnected analysis.

PROPHIX

TARGET MARKET
Prophix has historically targeted the finance department of small to medium-size enterprises (SMEs). However, with a broad corporate performance management (CPM) offering Prophix can address many other operational business areas as well, such as sales, marketing, human resources etc.

COST
Price on request.

CONTACT DETAILS
Website: www.prophix.co.uk
Telephone: 01256 338611
Any budgeting methodology can be used – top-down, bottom-up and zero-based budgeting are all catered for. Spreadsheet-like templates are used for data entry, incorporating a wide range of options for spreading and calculating the plan. Users may add cell comments (date and time stamped) to explain entries and external supporting documents may be appended to comments. Although templates may display data at nominal account level, data may be entered at transaction level, for example in an itemised capital expenditure forecast. In fact, ‘line items’ can be set as mandatory for key items, forcing users to itemise a plan submission rather than just entering a summary figure.

Figures can be allocated on a top-down basis through an organisation, for example a top-down distribution of sales targets across subsidiaries/divisions/sales reps. These may be spread evenly, based on specific historic data, or by the user’s chosen formula.

The ‘Detailed Planning Manager’ functionality within Prophix 10 enables users to link Prophix to non-financial data such as HR, capital expenditure or sales volumes. For example, the payroll expense forecast can be based on a linked, external payroll system and detailed budgeting can be executed on headcount, remuneration, benefit packages, pay rates, bonuses, etc. ‘What-if’ calculations made within the headcount planning model will feed automatically back into the forecast to see the financial impact.

Rolling current year forecasts may be set based on year-to-date data, and multi-year forecasts of up to 60 months can be generated quite simply once the system is up and running.

Reporting in Prophix is powerful and very flexible, with output to Excel (fully formatted), PDF or as HTML to Sharepoint to be distributed via an intranet. The ‘Report Binder’ can combine external documents and files with Prophix reports, and may be run and distributed automatically to a stored set of email addresses on a set schedule. Output is well-designed and easy to follow – for example, the monthly variance income statement automatically highlights in red any variances against the consolidated budget. Standard reports include cash flow and full financial accounts. Recurring consolidation journals can be saved and run automatically each month, and reports run at group level or simply consolidating all departments within a single entity.

For buyers at this level, user control and access rights are important. Each user is given access restricted to the information relevant to their responsibilities and only sees tasks that have been assigned to them via Workflow, which automatically generates email reminders of impending deadlines.

The multi-user Workflow Manager, which is configurable to suit your organisation, gives a flowchart overview of the budgeting process; clicking on each stage reveals the status of each task which is colour-coded to highlight whether not started, in progress, submitted or completed.

SUMMARY

This is an enterprise-level solution which includes many of the features found in the leading enterprise-focused products and yet manages to be quick to learn and easy to use. Prophix claims that the software’s modest IT requirements, fast implementation and low total cost of ownership are behind the company’s rapid growth in recent years. This is much more than a F&B solution, as we might expect from a company which started as a business intelligence (BI) reseller. The management reporting functionality is particularly impressive, and could streamline monthly reporting in a medium-sized group even without venturing into the budgeting, forecasting and financial consolidation side of the software.
OVERVIEW

Sage 50 Forecasting is an updated version of WinForecast Professional, although it lacks the consolidation feature of WinForecast which allows you to combine multiple forecasts up to a group level forecast, and perform group level functions such as eliminations and allocations. Sage WinForecast Professional Consolidation is still available as a separate application for companies requiring those features. Both packages can act stand-alone, allowing you to enter budgets and/or actuals manually, as well as accept budget and/or actual values from both Excel and Sage Line 50 (now Sage 50 Accounts).

Unlike larger systems, Sage 50 Forecasting does not use database technology, all data being held in a compact single .SFF file, making it relatively undemanding in terms of hardware requirements. Users install it themselves from CD without the need for expensive consultancy to implement it.

Sage 50 Forecasting employs the use of ‘record types’ and ‘entry methods’ to generate a forecasting model. The software contains particular sets of record types to deal with difficult calculations. These seem capable of handling a range of scenarios, including most ‘spiky’ type payments, such as quarterly rent and VAT payments. In the case of a ‘Financed Asset’, you can feed in the deposit, interest rates, term of HP contract or lease etc. Sage 50 Forecasting will work out the monthly capital and interest elements, and feed them into the balance sheet, P&L and cash flow. It will also handle depreciation and accruals of interest within the different records. Specific entry methods are also provided for payroll and stock usage calculations.

These entry methods are also where you can select to import values from either Excel or 50 Accounts.

Using the flexibility of the record types and entry methods you can perform a number of functions. For example, it allows you to take either the P&L budgets, prior year or actuals out of Line 50 or Excel, amend or reforecast them, then convert this forecast into a cash flow or funding projection based on anticipated payment terms.

Or you can enter all your budgets manually, using the entry methods to assist you in calculating the cash-flow forecast, and then import actual P&L and balance sheet from 50 Accounts and Excel (or enter them manually) to give you variance reports.
By using the different ‘record types’ and ‘entry methods’ it also makes it quick and easy to create different ‘what if’ scenarios, and view the effects on your business. For example, you could explore the potential effects of purchasing an asset in six months’ time on your projected bank account. You can then use the outcomes of these ‘what if’ scenarios to make preparations for the future.

The software allows you to budget for unlimited companies, divisions or departments down to gross profit level, but only one set of overheads. Sage WinForecast Professional Consolidation is required if each company, etc needs to budget for its own overheads and net profit.

Sage 50 Forecasting gives users an intuitive and easy to learn means of controlling working capital. Cash-flow projection is a particular strength if users need figures to support funding applications to investors or the bank manager.

**Forecasting**

Once actuals are entered Sage 50 Forecasting will automatically forecast the outturn for the current period. It allows you to make multiple forecasts reflecting different possible scenarios; this is performed by saving the forecast as a different file. You can also have two sets of budgets in the same forecast: original budgets and revised budgets.

Original budgets can be copied over to revised budgets, and vice versa, and then amended, or you can create a completely new set of revised budgets from scratch.

By having both original and revised budgets, once actuals are entered or imported you can compare variance reports to both original and revised, as well as viewing projected reports based on actuals followed by either original or revised values. Budgets can be flexed and ‘what-if’ scenarios calculated at the press of a button.

For pure forecasting, Sage 50 Forecasting is perhaps a bit limited. For example, there is no easy way to list the assumptions behind the forecast, which remain embedded in the data. Most people will probably continue to run their more complex calculations through Excel and import the results into Sage 50 Forecasting.

**SUMMARY**

The original WinForecast package was much praised by readers of AccountingWEB over the years, although some say it has become a little bit more difficult to use since Sage took it over. The real strength of Sage 50 Forecasting lies in its ability to take a P&L and assist you in generating balance sheet and, more importantly, cash-flow projections. The latter is a valuable mechanism for keeping control of working capital. Managers who use it should be able to talk to their bank managers with confidence.

As a pure forecasting tool it is probably not as flexible as Excel and most people will continue to budget in Excel, pulling the data into Sage 50 Forecasting via hot-linking. It would benefit from being able to print out a plain English list of assumptions behind the forecast.

Sage 50 Forecasting works well in a single user environment where the accountant or manager of the business handles all the budgeting side and holds everything in their own head. Multi-user access is possible, but there is no provision for limiting user access rights or version control. It is not therefore so appropriate where the data needs to be shared and forecasting is a collaborative effort. (A collaborative effort is more suited to WinForecast Professional Consolidation, where it allows you to consolidate individual forecasts.)
There are a number of service providers and software developers offering F&B solutions. While the following list is not complete, it does provide the web addresses for a cross section of the many available.

- **Advanced Business Solutions**
  - [www.advancedcomputersoftware.com/abs/budgeting](http://www.advancedcomputersoftware.com/abs/budgeting)
- **Collaborative Planning**
  - [www.advancedcomputersoftware.com/abs](http://www.advancedcomputersoftware.com/abs)
- **Open Planning**
  - [www.adaptiveplanning.com](http://www.adaptiveplanning.com)
- **Budget Maestro and Planning Maestro**
  - [www.centage.com](http://www.centage.com)
- **Cashflow Wizard**
  - [www.DecisionCurve.com](http://www.DecisionCurve.com)
- **4CastPro**
  - [www.4castsolutions.co.uk](http://www.4castsolutions.co.uk)
- **GoForecast**
  - [www.financegofer.com](http://www.financegofer.com)
- **IBM Cognos Express**
  - [www-01.ibm.com/software/analytics/cognos/express/](http://www-01.ibm.com/software/analytics/cognos/express/)
- **IBM Cognos TM1**
  - [www.cognos.com/products/tm1/](http://www.cognos.com/products/tm1/)
- **Microsoft Office PerformancePoint Server 2007**
  - [www.microsoft.com/bi](http://www.microsoft.com/bi)
- **Oracle Hyperion Planning**
- **PlanGuru 2011**
  - [www.planguru.com](http://www.planguru.com)
- **Planware**
  - [www.planware.org](http://www.planware.org)
- **Prophix**
  - [www.prophix.co.uk](http://www.prophix.co.uk)
- **Quantrix Modeler**
  - [www.quantrix.com](http://www.quantrix.com)
- **Sage 50 Forecasting**
  - [http://shop.sage.co.uk/forecasting.aspx](http://shop.sage.co.uk/forecasting.aspx)
- **SAP BusinessObjects Planning and Consolidation**
Nigel Harris BA CTA trained with Thornton Baker (now Grant Thornton) in Bristol, qualifying in 1981. He subsequently worked as a tutor for a training consortium and then returned to public practice with several small West Country firms before joining Bristol-based chartered accountants Burton Sweet in 1991 to run their Shepton Mallet office. As partner responsible for corporate and client services, he manages 15 staff and some 600 SME and private tax clients, taking a particular interest in tax and IT issues.

Since 1999 he has been a regular contributor to AccountingWeb.co.uk on practice and IT topics, and is part of their annual budget reporting team. He is the author of the IT Faculty’s guides Accounts Production Software and Practice Management Software.
Gain greater insight into your financial and operational performance.

To empower your organisation with unified budgeting, forecasting, financial & operational planning, reporting and consolidation solutions, visit Prophix.co.uk.
ICAEW is a founder member of the Global Accounting Alliance, which represents around 775,000 of the world’s leading professional accountants in over 165 countries around the globe, to promote quality services, share information and collaborate on important international issues.

ICAEW is a professional membership organisation, supporting over 138,000 chartered accountants around the world. Through our technical knowledge, skills and expertise, we provide insight and leadership to the global accountancy and finance profession.

Our members provide financial knowledge and guidance based on the highest professional, technical and ethical standards. We develop and support individuals, organisations and communities to help them achieve long-term, sustainable economic value.

Because of us, people can do business with confidence.